

June Quarter 2018 Results

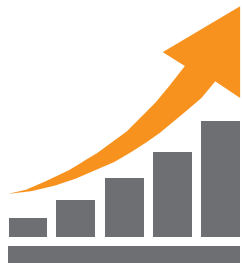


This presentation contains certain financial measures that are not recognized under generally accepted accounting principles in the United States (“GAAP”), including adjusted EBITDA (including adjusted EBITDA margin), adjusted EBITA (including adjusted EBITA margin), non-GAAP net income, non-GAAP diluted EPS and free cash flow. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, see GAAP to adjusted Non-GAAP measures Reconciliation.

This announcement contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “potential,” “continue,” “ongoing,” “targets,” “guidance” and similar statements. Among other things, statements that are not historical facts, including statements about Alibaba’s strategies and business plans, Alibaba’s beliefs and expectations regarding the growth of its business and its revenue, the business outlook and quotations from management in this announcement, as well as Alibaba’s strategic and operational plans, are or contain forward-looking statements. Alibaba may also make forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (the “SEC”), in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: Alibaba’s expected revenue growth; Alibaba’s goals and strategies; Alibaba’s future business development; Alibaba’s ability to maintain the trusted status of its ecosystem, reputation and brand; risks associated with increased investments in Alibaba’s business and new business initiatives; risks associated with strategic acquisitions and investments; Alibaba’s ability to retain or increase engagement of consumers, merchants and other participants in its ecosystem and enable new offerings; Alibaba’s ability to maintain or grow its revenue or business; risks associated with limitation or restriction of services provided by Alipay; changes in laws, regulations and regulatory environment that affect Alibaba’s business operations; privacy and regulatory concerns; competition; security breaches; the continued growth of the e-commerce market in China and globally; risks associated with the performance of our business partners, including but not limited to Ant Financial; and fluctuations in general economic and business conditions in China and globally and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in Alibaba’s filings with the SEC. All information provided in this results announcement is as of the date of this results announcement and are based on assumptions that we believe to be reasonable as of this date, and Alibaba does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

June Quarter 2018 Financial Highlights

Revenue



61% YoY
Total Revenue Growth

61% YoY
Core Commerce
Revenue Growth

Cloud



93% YoY
Cloud Computing
Revenue Growth

Consumers



634 MM
Mobile MAUs ⁽¹⁾

576 MM
Annual Active Consumers ⁽²⁾

Profitability and Cash Flow



47% Core Commerce
Adjusted EBITA Margin

US\$4.0Bn⁽³⁾
Non-GAAP Free Cash Flow

Notes: Unless otherwise indicated, all figures above are for the three months ended June 30, 2018.

(1) For the month ended June 30, 2018; in a given month, the number of unique mobile devices that were used to visit or access certain of our mobile applications at least once during that month.

(2) For the 12-month period ended June 30, 2018; the number of annual active consumers on our China retail marketplaces.

(3) All translations of RMB into US\$ were made at RMB6.6171 to US\$1.00, the exchange rate on June 29, 2018 as set forth in the H.10 statistical release of the Federal Reserve Board.

Quarterly Revenue

- Total revenue YoY growth of 61% was mainly driven by the robust growth of our China commerce retail business, the consolidation of Cainiao Network and Ele.me, as well as strong revenue growth of Alibaba Cloud.

Total Revenue Breakdown⁽¹⁾

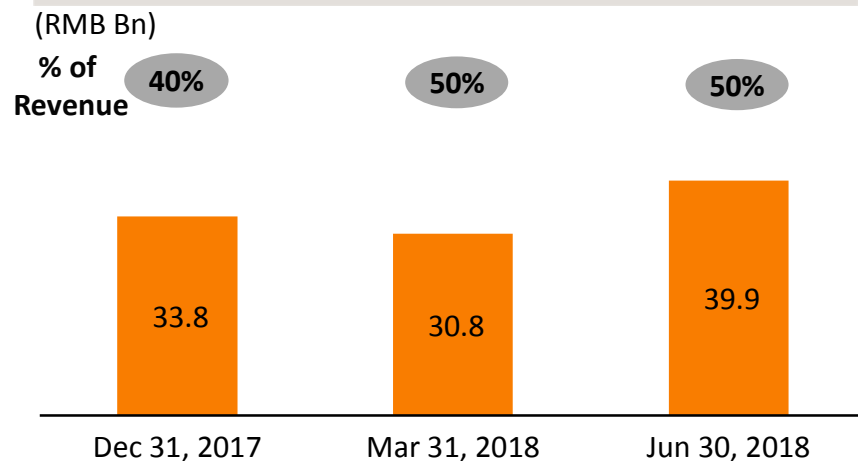
	Three months ended June 30, 2018		
	RMB MM	% of Revenue	YoY %
Core commerce:			
China commerce retail			
- Customer management	33,053	41%	26%
- Commission	13,756	17%	55%
- Others	7,159	9%	344%
	53,968	67%	47%
China commerce wholesale	2,250	3%	37%
International commerce retail	4,316	6%	64%
International commerce wholesale	1,837	2%	14%
Cainiao logistics services	3,327	4%	N/A
Consumer services	2,612	3%	N/A
Others	878	1%	106%
Total core commerce	69,188	86%	61%
Cloud computing	4,698	6%	93%
Digital media and entertainment	5,975	7%	46%
Innovation initiatives and others	1,059	1%	64%
Total	80,920	100%	61%

Notes: We started to consolidate Cainiao Network in mid-October 2017 and Ele.me in May 2018.

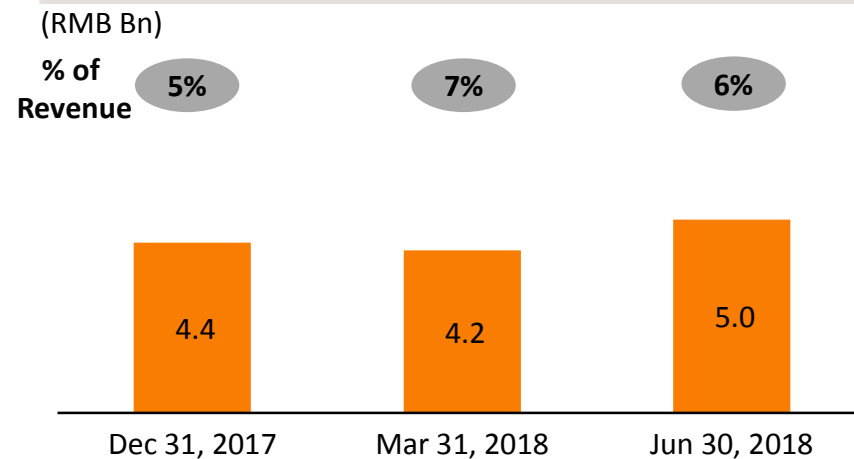
(1) After elimination of inter-company transactions.

Quarterly Cost Trends

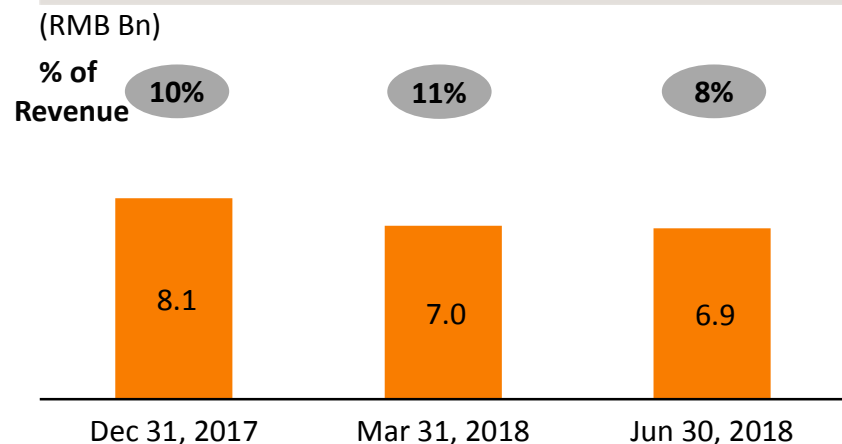
Cost of Revenue (Excluding SBC)



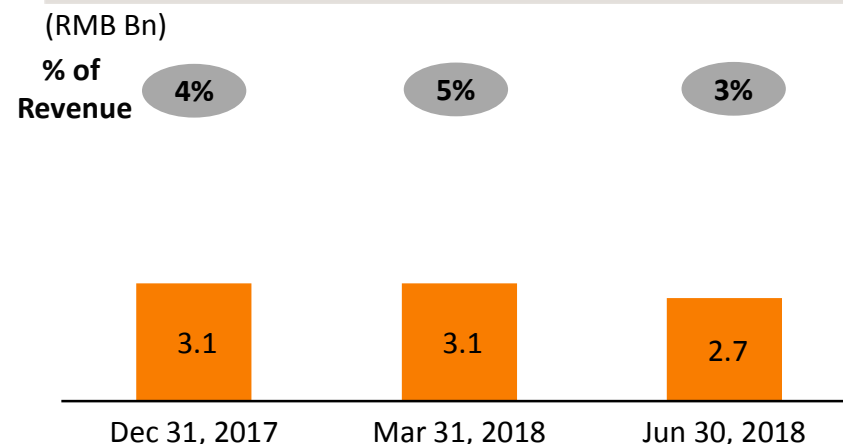
Product Development Expenses (Excluding SBC)



Sales & Marketing Expenses (Excluding SBC)



General & Administrative Expenses (Excluding SBC)



Net Income

- **Ant Financial Revaluation:** For the June 2018 quarter, SBC expense related to Ant Financial share-based awards granted to our employees increased significantly in this quarter, mainly due to the increase in fair value of such awards as the valuation of Ant Financial increased significantly. These were non-cash expense and did not result in any economic cost or equity dilution to our shareholders.

	Jun Q 2017 RMB MM	Jun Q 2018 RMB MM	YoY Growth %
Net income before Share-based compensation expense related to Ant Financial's awards to Alibaba employees ("Ant Financial SBC Expense")	14,328	19,127	33%
Ant Financial SBC expense	(297)	(11,477)	
Net income	14,031	7,650	(45%)

- **Foreign Exchange Loss:** In this quarter, other loss was RMB83 million (US\$13 million) driven by an exchange loss of RMB1.48 billion (US\$224 million) as RMB depreciated against the U.S. Dollar.
- **Profit Sharing:** Royalty fees and software technology service fees received from Ant Financial amounted to RMB910 million (US\$138 million) in the June 2018 quarter. The decrease was the result of Ant Financial's investments in user acquisition, product innovation and international expansion.

	Jun Q 2017 RMB MM	Jun Q 2018 RMB MM	YoY Growth %
Non-GAAP net income before profit sharing from Ant Financial and foreign exchange loss	18,789	20,675	10%
Profit sharing from Ant Financial	1,966	910	
Foreign exchange loss	(736)	(1,484)	
Non-GAAP net income	20,019	20,101	0%

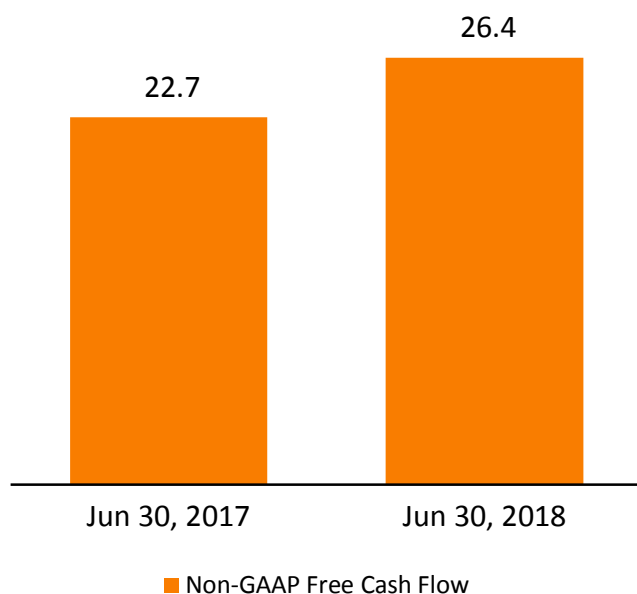
Cash Position and Free Cash Flow

- As of June 30, 2018, cash, cash equivalents and short-term investments were RMB177.3 billion (US\$26.8 billion), compared to RMB205.4 billion as of March 31, 2018. The decrease in cash, cash equivalents and short-term investments during the quarter ended June 2018 was primarily due to investments in Ele.me and ZTO Express, partly offset by free cash flow generated from operations of RMB26.4 billion (US\$4.0 billion).

Non-GAAP Free Cash Flow ⁽¹⁾

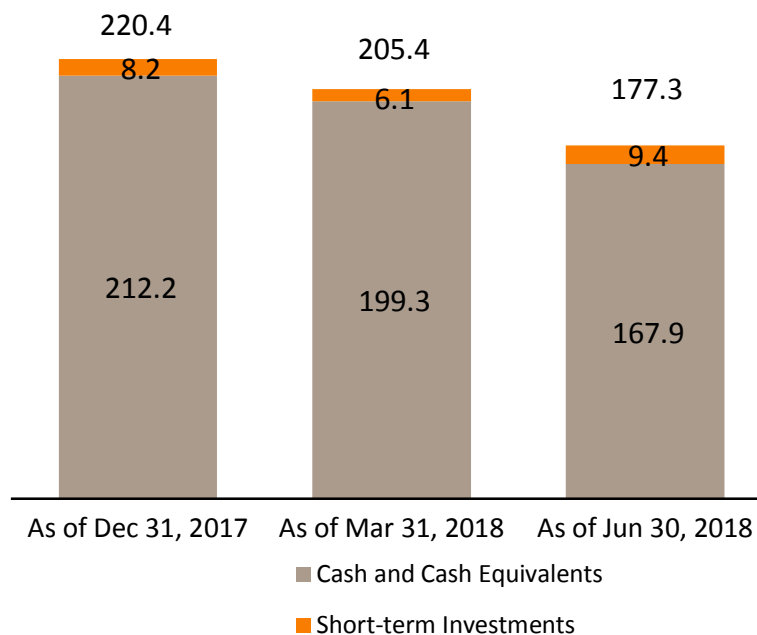
(RMB Bn)

US\$4.0 Bn⁽²⁾



Cash, Cash Equivalents and Short-term Investments

(RMB Bn)



Notes: Unless otherwise indicated, all figures in the above charts are for the three months ended on the respective dates.

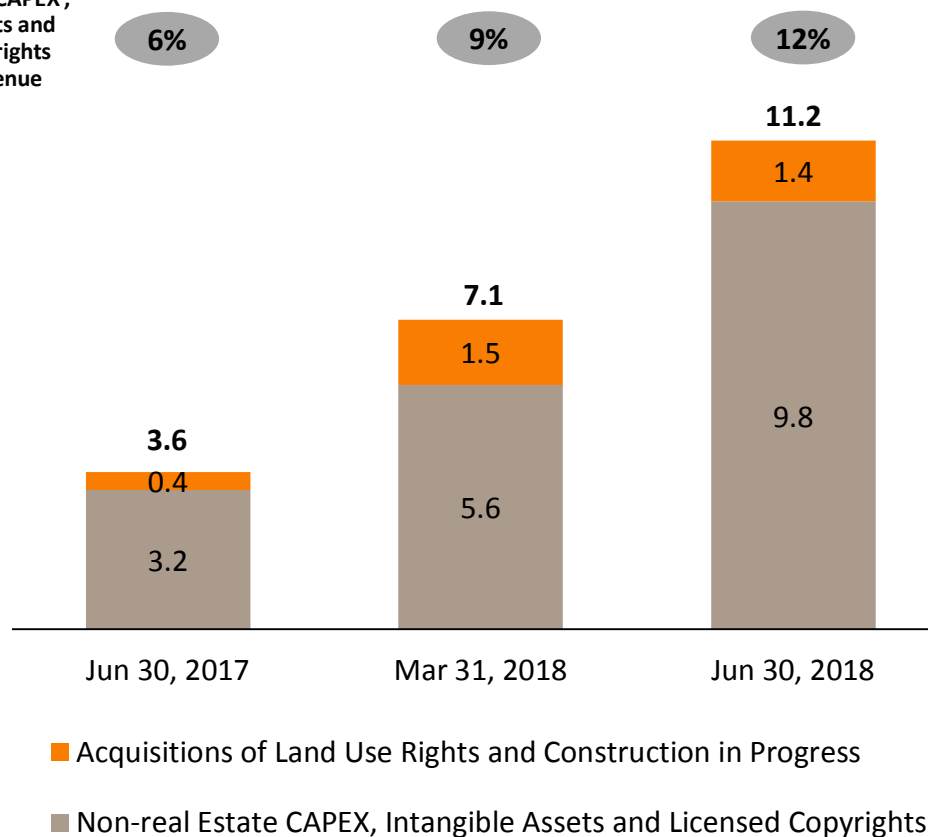
(1) Non-GAAP free cash flow represents net cash provided by operating activities as presented in Alibaba Group's consolidated cash flow statement less purchases of property and equipment, intangible assets and licensed copyrights (excluding acquisition of land use rights and construction in progress relating to office campus).

(2) All translations of RMB into US\$ were made at RMB6.6171 to US\$1.00, the exchange rate on June 29, 2018 as set forth in the H.10 statistical release of the Federal Reserve Board.

Capital Expenditures, Intangible Assets and Licensed Copyrights






























(RMB Bn)

Non-real Estate CAPEX,
Intangible Assets and
Licensed Copyrights
as a % of Revenue



Note: Unless otherwise indicated, all figures in the above charts are for the three months ended on the respective dates.

June Quarter Segment Reporting

	Core Commerce <i>China Commerce Retail</i>          <i>China Commerce Wholesale</i>  <i>International Commerce Retail</i>   <i>International Commerce Wholesale</i>  <i>Cainiao Logistics Services</i>  <i>Consumer Services</i> 	Cloud Computing 	Digital Media & Entertainment         	Innovation Initiatives & Others    	Un-allocated⁽²⁾	Consolidated
Jun 18 Revenue (MM)	RMB 69,188 USD 10,456 61% YoY	RMB 4,698 USD 710 93% YoY	RMB 5,975 USD 903 46% YoY	RMB 1,059 USD 160 64% YoY	-	RMB 80,920 USD 12,229 61% YoY
Jun18 Adjusted EBITA (MM)	RMB 32,797 USD 4,956 22% YoY	RMB (488) USD (74)	RMB (3,132) USD (473)	RMB (1,202) USD (182)	RMB (1,473) USD (222)	RMB 26,502 USD 4,005 13% YoY
Jun 18 Adjusted EBITA Margin (%)	47%	(10%)	(52%)	(114%)		33%

Notes:

(1) Segmental information is presented after elimination of inter-company transactions.

(2) Unallocated expenses are primarily related to corporate administrative costs and other miscellaneous items that are not allocated to individual segments.

(3) All translations of RMB into US\$ were made at RMB6.6171 to US\$1.00, the exchange rate on June 29, 2018 as set forth in the H.10 statistical release of the Federal Reserve Board.

Structural Change to Core Commerce Margin Profile

- New Retail revenue is primarily recorded on a gross basis but our Core Commerce revenue from marketplaces is recorded on a net basis. Increasing mix of New Retail revenue inside Core Commerce will structurally change the margin profile of the Core Commerce segment.
- Excluding the consolidation of Cainiao Network, Ele.me (in May 2018), the effects of New Retail as well as strategic investments in Lazada, the adjusted EBITA margin of the core of core commerce is 62%.
- The adjusted EBITA margin of marketplace-based core of core commerce remained stable as compared to the same period last year.
- The investment in user and user experience resulted in increasing market leadership and greater user growth for Jun Q 2018.

	Core Commerce Adjusted EBITA Margin
Jun Q 2017 Core commerce Adjusted EBITA Margin	63%
Jun Q 2018 Marketplace-based core commerce Adjusted EBITA margin (net of investments in user and user experience)	62%
Consolidation of Cainiao Network, Ele.me, the effects of New Retail ⁽¹⁾ as well as strategic investments in Lazada	(15%)
Jun Q 2018 Core commerce Adjusted EBITA margin	47%

Note:

(1) New Retail primarily includes Hema, Tmall Import and Intime.

Share of Results of Equity Investees

- Share of results of equity investees in the quarter ended June 30, 2018 was a loss of RMB655 million (US\$99 million), compared to a loss of RMB1,388 million in the same quarter of 2017.
- We have established a company to hold Ele.me and Koubei as our combined flagship local services vehicle, which we plan to separately capitalize with investments from Alibaba, Ant Financial and third-party investors.
- As of the time of this announcement, we have received over US\$3 billion in new investment commitments, including from Alibaba and SoftBank. As a result of this reorganization, subject to closing conditions, we will consolidate Koubei, which would result in a one-off material revaluation gain when the transaction closes.

In RMB MM unless otherwise stated	Jun Q 2017	Jun Q 2018
Share of (loss) profit of equity investees:		
- Koubei*	(391)	—
- Cainiao Network**	(245)	—
- Other equity investees	(311)	(66)
Dilution loss	(29)	(108)
Others***	(412)	(481)
TOTAL	(1,388)	(655)

Notes:

* Our cumulative share of Koubei's losses had reduced the carrying value of our investment in Koubei to zero. As a result, we have ceased to recognize further losses for this investment.

** We started to consolidate Cainiao Network in mid-October 2017 after obtaining control over Cainiao Network.

*** Others mainly include amortization of intangible assets of equity investees and share-based compensation expenses.

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GAAP to Adjusted/Non-GAAP Measures Reconciliation

	Three months ended		
	June 30, 2017	June 30, 2018	
	(RMB MM)	(RMB MM)	(US\$MM)
Adjusted EBITDA			
Income from operations	17,513	8,020	1,212
Add: Share-based compensation expense	4,019	16,378	2,475
Add: Amortization of intangible assets	1,986	2,104	318
Adjusted EBITA	23,518	26,502	4,005
Add: Depreciation and amortization of property and equipment and land use rights	1,606	2,857	432
Adjusted EBITDA	25,124	29,359	4,437
Non-GAAP net income			
Net income	14,031	7,650	1,156
Add: Share-based compensation expense	4,019	16,378	2,475
Add: Amortization of intangible assets	1,986	2,104	318
Add: Impairment of investments	952	—	—
Less: Gain on deemed disposals/disposals/revaluation of investments and others	(1,089)	(5,408)	(817)
Add: Amortization of excess value receivable arising from the restructuring of commercial arrangements with Ant Financial	67	66	10
Add: Immediate recognition of unamortized professional fees and upfront fees upon termination of bank borrowings	92	—	—
Adjusted for tax effects on non-GAAP adjustments	(39)	(689)	(104)
Non-GAAP net income	20,019	20,101	3,038
Non-GAAP Free cash flow			
Net cash provided by operating activities	25,873	36,117	5,458
Less: Purchase of property and equipment, intangible assets and licensed copyrights (excluding land use rights and construction in progress relating to office campus)	(3,162)	(9,759)	(1,475)
Non-GAAP Free cash flow	22,711	26,358	3,983

